



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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Des Moines, Iowa 50319-0004

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David A. Vaudt, CPA  
Auditor of State

**NEWS RELEASE**

**FOR RELEASE** March 14, 2003

**Contact: Andy Nielsen  
515/281-5515**

The Office of Auditor of State today released an audit report on Palo Alto County, Iowa.

The County had local tax revenue of \$12,654,592 for the year ended June 30, 2002, which included \$848,485 in tax credits from the state. The County forwarded \$8,668,056 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,986,536 of the local tax revenue to finance County operations, a 21 percent increase from the prior year. Other revenues included \$2,475,606 from the state, including indirect federal funding, \$289,330 in local option sales tax and \$136,758 in interest on investments. Local tax revenue increased primarily because of increases in the tax levies for the General and Rural Services Funds.

Expenditures for County operations totaled \$8,655,924, a 7 percent increase from the prior year. Expenditures included \$2,653,642 for roads and transportation, \$1,375,515 for mental health and \$1,059,370 for public safety. The increase in expenditures is due primarily to an increase in drainage district construction and repair.

The report contains recommendations to the Board of Supervisors and other County officials. For example, the County should segregate duties within individual offices to obtain the maximum internal control possible under the circumstances. County officials should also comply with certain statutory requirements. The County's responses are included in the audit report.

A copy of the audit report is available for review in the office of the Auditor of State and the County Auditor's office.

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**PALO ALTO COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2002**

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**Palo Alto County**

**Officials**

Name	Title	Term Expires
Mary J. Greene	Board of Supervisors	Jan 2003
Lannie Miller	Board of Supervisors	Jan 2003
Steven Nelson	Board of Supervisors	Jan 2003
Leo Goeders	Board of Supervisors	Jan 2005
Ronald Graettinger	Board of Supervisors	Jan 2005
Gary Leonard	County Auditor	Jan 2005
Kathleen Thompson	County Treasurer	Jan 2003
Mary Clasing	County Recorder	(Retired)
Lori Kliegl	County Recorder	Jan 2003
Russell B. Jergens	County Sheriff	Jan 2005
Peter C. Hart	County Attorney	Jan 2003
Ross Simmelink	County Assessor	Jan 2004

**Palo Alto County**



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**Independent Auditor's Report**

To the Officials of Palo Alto County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Palo Alto County, Iowa, as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of Palo Alto County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with U.S. generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known. Also, the County has not included materials and supplies inventory, pertaining primarily to the Special Revenue Funds, although required by U.S. generally accepted accounting principles. The amounts of such inventory are not determinable.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Palo Alto County at June 30, 2002, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and expendable trust fund of Palo Alto County for the year ended June 30, 2002.

In accordance with Government Auditing Standards, we have also issued a report dated December 18, 2002 on our consideration of Palo Alto County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2001 (none of which are presented herein) and expressed qualified opinions on those financial statements for the effects of the omission of the general fixed assets account group and the materials and supplies inventory, pertaining primarily to the Special Revenue Funds. The supplemental information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 18, 2002



## **Financial Statements**

Palo Alto County  
Combined Balance Sheet  
All Fund Types and Account Group  
June 30, 2002

	Governmental Fund Types	
	General	Special Revenue
<b>Assets and Other Debits</b>		
Cash and pooled investments:		
County Treasurer	\$ 866,255	2,006,315
Other County officials	-	-
Receivables:		
Property tax:		
Delinquent	2,923	1,947
Succeeding year	2,338,000	1,936,000
Interest and penalty on property tax	5,652	-
Accounts	2,502	39,743
Special assessments	-	-
Economic development loans (note 5)	-	31,062
Accrued interest	3,512	-
Drainage assessments:		
Current	-	428,281
Future	-	283,478
Due from other funds (note 3)	34,429	703
Due from other governments	7,791	194,526
Prepaid insurance	47,956	40,391
Amount available for drainage warrants/ drainage improvement certificates	-	-
Amount to be provided for retirement of drainage warrants/drainage improvement certificates	-	-
Amount to be provided for retirement of general long-term debt	-	-
<b>Total assets and other debits</b>	<b>\$ 3,309,020</b>	<b>4,962,446</b>

Fiduciary Fund Type	Account	Total (Memorandum Only)
	Group General	
Trust and Agency	Long-Term Debt	
481,990	-	3,354,560
42,720	-	42,720
11,148	-	16,018
8,012,000	-	12,286,000
-	-	5,652
18,660	-	60,905
123,653	-	123,653
-	-	31,062
-	-	3,512
		428,281
-	-	283,478
-	-	35,132
1,159	-	203,476
-	-	88,347
-	24,648	24,648
-	619,489	619,489
-	169,440	169,440
8,691,330	813,577	17,776,373

Palo Alto County  
Combined Balance Sheet  
All Fund Types and Account Group  
June 30, 2002

	Governmental Fund Types	
	General	Special Revenue
<b>Liabilities and Fund Equity</b>		
Liabilities:		
Accounts payable	\$ 46,302	138,736
Salaries and benefits payable	878	59,045
Due to other funds (note 3)	-	-
Due to other governments (note 4)	4,267	96,482
Trusts payable	-	-
Deferred revenue:		
Succeeding year property tax	2,338,000	1,936,000
Other	8,792	771,248
Capital lease purchase agreement (note 6)	-	-
Bonds payable (note 6)	-	-
Drainage warrants payable (note 6)	-	-
Drainage improvement certificates payable (note 6)	-	-
Compensated absences	15,930	18,324
Total liabilities	<u>2,414,169</u>	<u>3,019,835</u>
Fund equity:		
Fund balances:		
Reserved for:		
Supplemental levy purposes	231,959	-
Drainage warrants/drainage improvement certificates	-	24,648
Prepaid insurance	47,956	40,391
Unreserved	614,936	1,877,572
Total fund equity	<u>894,851</u>	<u>1,942,611</u>
<b>Total liabilities and fund equity</b>	<u><u>\$ 3,309,020</u></u>	<u><u>4,962,446</u></u>

See notes to financial statements.

<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>Total</u>
<u>Trust and Agency</u>	<u>General Long-Term Debt</u>	<u>(Memorandum Only)</u>
3,220	-	188,258
-	-	59,923
35,132	-	35,132
8,582,263	-	8,683,012
13,642	-	13,642
-	-	4,274,000
-	-	780,040
-	14,520	14,520
-	55,695	55,695
-	616,625	616,625
-	27,512	27,512
8,740	99,225	142,219
8,642,997	813,577	14,890,578
-	-	231,959
-	-	24,648
-	-	88,347
48,333	-	2,540,841
48,333	-	2,885,795
8,691,330	813,577	17,776,373

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Palo Alto County

Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances – All Governmental Fund Types  
and Expendable Trust Fund

Year ended June 30, 2002

	<u>Governmental Fund</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Property and other County tax	\$ 1,927,006	2,103,702
Interest and penalty on property tax	31,504	-
Intergovernmental	440,346	2,624,330
Licenses and permits	3,307	265
Charges for service	186,318	153,401
Use of money and property	125,705	19,708
Miscellaneous	19,085	727,659
Total revenues	<u>2,733,271</u>	<u>5,629,065</u>
Expenditures:		
Operating:		
Public safety	1,059,370	-
Court services	13,777	-
Physical health and education	133,553	82,128
Mental health	-	1,375,515
Social services	191,805	-
County environment	396,250	372,733
Roads and transportation	-	2,653,642
State and local government services	245,936	-
Interprogram services	794,606	-
Non-program	-	536,512
Debt service	-	589,841
Capital projects	67,746	132,356
Total expenditures	<u>2,903,043</u>	<u>5,742,727</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(169,772)</u>	<u>(113,662)</u>

Types	Fiduciary Fund Type	Total
Debt Service	Expendable Trust	(Memorandum Only)
-	-	4,030,708
-	-	31,504
-	-	3,064,676
-	-	3,572
-	-	339,719
-	-	145,413
-	4,658	751,402
-	4,658	8,366,994
-	-	1,059,370
-	-	13,777
-	-	215,681
-	-	1,375,515
-	-	191,805
-	-	768,983
-	-	2,653,642
-	-	245,936
-	-	794,606
-	-	536,512
10,154	-	599,995
-	-	200,102
10,154	-	8,655,924
(10,154)	4,658	(288,930)

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Palo Alto County

Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances – All Governmental Fund Types  
and Expendable Trust Fund

Year ended June 30, 2002

	<u>Governmental Fund</u>	
	<u>General</u>	<u>Special Revenue</u>
Other financing sources (uses):		
Operating transfers in	-	1,093,761
Operating transfers out	(75,000)	(1,028,915)
Drainage warrants/ drainage improvement certificate proceeds	-	186,692
Total other financing sources (uses)	<u>(75,000)</u>	<u>251,538</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(244,772)	137,876
Fund balances beginning of year, as restated (note 13)	1,163,882	1,809,168
Decrease in reserve for prepaid insurance	<u>(24,259)</u>	<u>(4,433)</u>
Fund balances end of year	<u>\$ 894,851</u>	<u>1,942,611</u>

See notes to financial statements.



<u>Types</u>	<u>Fiduciary Fund Type</u>	<u>Total</u>
<u>Debt</u>	<u>Expendable</u>	<u>(Memorandum</u>
<u>Service</u>	<u>Trust</u>	<u>Only)</u>
10,154	-	1,103,915
-	-	(1,103,915)
-	-	186,692
10,154	-	186,692
-	4,658	(102,238)
-	43,675	3,016,725
-	-	(28,692)
-	48,333	2,885,795

Palo Alto County  
 Comparison of Receipts, Disbursements and  
 Changes in Balances - Actual to Budget (Cash Basis)  
 All Governmental Fund Types and Expendable Trust Fund

Year ended June 30, 2002

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other County tax	\$ 3,616,307	-
Interest and penalty on property tax	31,480	-
Intergovernmental	3,458,291	134,787
Licenses and permits	3,544	-
Charges for service	336,609	-
Use of money and property	150,214	-
Miscellaneous	949,480	834,569
Total receipts	<u>8,545,925</u>	<u>969,356</u>
Disbursements:		
Public safety	1,052,681	-
Court services	16,672	-
Physical health and education	215,557	-
Mental health	1,350,180	-
Social services	192,802	-
County environment	741,756	-
Roads and transportation	2,575,144	-
State and local government services	245,900	-
Interprogram services	792,447	-
Non-program	559,060	559,060
Debt service	600,096	589,942
Capital projects	199,913	-
Total disbursements	<u>8,542,208</u>	<u>1,149,002</u>
Excess (deficiency) of receipts over (under) disbursements	3,717	(179,646)
Other financing sources, net	<u>186,692</u>	<u>186,692</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	190,409	7,046
Balance beginning of year	<u>2,730,494</u>	<u>125,040</u>
Balance end of year	<u>\$ 2,920,903</u>	<u>132,086</u>

See notes to financial statements.

Net	Amended Budget	Variance - Favorable (Unfavorable)	Net as % of Amended Budget
3,616,307	1,942,567	1,673,740	186%
31,480	5,380	26,100	585%
3,323,504	411,987	2,911,517	807%
3,544	3,950	(406)	90%
336,609	165,770	170,839	203%
150,214	204,230	(54,016)	74%
114,911	14,950	99,961	769%
7,576,569	2,748,834	4,827,735	276%
1,052,681	1,110,159	57,478	95%
16,672	20,350	3,678	82%
215,557	142,599	(72,958)	151%
1,350,180	-	(1,350,180)	
192,802	216,805	24,003	89%
741,756	387,463	(354,293)	191%
2,575,144	(2,000)	(2,577,144)	
245,900	262,013	16,113	94%
792,447	835,145	42,698	95%
-	-	-	
10,154	-	(10,154)	
199,913	69,172	(130,741)	289%
7,393,206	3,041,706	(4,351,500)	243%
183,363	(292,872)		
-	(96,000)		
183,363	(388,872)		
2,605,454	2,686,678		
2,788,817	2,297,806		

Palo Alto County

Notes to Financial Statements

June 30, 2002

**(1) Summary of Significant Accounting Policies**

Palo Alto County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

**A. Reporting Entity**

For financial reporting purposes, Palo Alto County has included all funds, organizations, account group, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Palo Alto County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Three hundred forty-seven drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Palo Alto County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. These districts are included as an Agency Fund of the County. Financial information for the individual drainage districts can be obtained from the Palo Alto County Auditor's office.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Palo Alto County Assessor's Conference Board, Palo Alto County Emergency Management Commission and Palo Alto County E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Synergy Center and Northwest Central Iowa Drug Task Force. In addition, the County is involved in the following jointly governed organizations: Northwest Iowa Mental Health Center, Northwest Iowa Alcoholism and Drug Treatment Unit, Inc., Northwest Iowa Planning and Development Commission, Regional Transit Authority and Third Judicial District Department of Correctional Services.

#### B. Fund Accounting

The accounts of the County are organized on the basis of funds and account group, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures. The various funds and account group and their designated purposes are as follows:

##### Governmental Funds

General Fund - The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds - The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund - The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

##### Fiduciary Funds

Trust Funds - The Trust Funds are used to account for assets held by the County in a trustee capacity. These include the expendable trust fund which is accounted for in essentially the same manner as Governmental Funds.

Agency Funds – The Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Group

General Long-Term Debt – This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and the Expendable Trust Fund are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and the Expendable Trust Fund are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

Cash and Pooled Investments - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are in the form of non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable - Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2000 assessed property valuations; is for the tax accrual period July 1, 2001 through June 30, 2002 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2001.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable - Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than ten nor more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

Drainage Assessments Receivable - Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Drainage assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2002, balances of interfund amounts receivable or payable have been recorded.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Due to Other Governments - Due to other governments represents taxes and revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivables and other receivables not collected within sixty days after year end.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation payments expected to be liquidated currently are recorded as liabilities of the Governmental Funds. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2002.

#### F. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 12 major classes of expenditures known as service areas, not by fund or fund type. These 12 service areas are: public safety, court services, physical health and education, mental health, social services, county environment, roads and transportation, state and local government services, interprogram services, non-program, debt service and capital projects. Service area disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund and expendable trust fund. Although the budget document presents service area disbursements by fund, the legal level of control is at the aggregated service area level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.



In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by service area, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 2,740,282	(7,011)	2,733,271	5,800,985	(171,920)	5,629,065
Expenditures	2,879,236	23,807	2,903,043	5,652,818	89,909	5,742,727
Net	(138,954)	(30,818)	(169,772)	148,167	(261,829)	(113,662)
Other financing sources (uses)	(75,000)	-	(75,000)	251,538	-	251,538
Beginning fund balances, as restated (note 13)	1,080,209	83,673	1,163,882	1,606,610	202,558	1,809,168
Decrease in reserve for prepaid insurance	-	(24,259)	(24,259)	-	(4,433)	(4,433)
Ending fund balances	\$ 866,255	28,596	894,851	2,006,315	(63,704)	1,942,611

	Governmental Fund Types		
	Debt Service		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ -	-	-
Expenditures	10,154	-	10,154
Net	(10,154)	-	(10,154)
Other financing sources (uses)	10,154	-	10,154
Beginning fund balances, as restated (note 13)	-	-	-
Decrease in reserve for prepaid insurance	-	-	-
Ending fund balances	\$ -	-	-

	Fiduciary Fund Type			Total		
	Expendable Trust					
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 4,658	-	4,658	8,545,925	(178,931)	8,366,994
Expenditures	-	-	-	8,542,208	113,716	8,655,924
Net	4,658	-	4,658	3,717	(292,647)	(288,930)
Other financing sources (uses)	-	-	-	186,692	-	186,692
Beginning fund balances, as restated (note 13)	43,675	-	43,675	2,730,494	286,231	3,016,725
Decrease in reserve for prepaid insurance	-	-	-	-	(28,692)	(28,692)
Ending fund balances	\$ 48,333	-	48,333	2,920,903	(35,108)	2,885,795

**G. Total (Memorandum Only)**

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2002 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentality's; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances, certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**(3) Due from and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2002 is as follows:

Receivable Fund	Payable Fund	Amount
General	Trust and Agency:	
	County Recorder	\$ 15,348
	County Sheriff	14,552
	Auto License and Use Tax	4,529
Special Revenue:		
County Recorder's Records Management	Trust and Agency:	
	County Recorder	703
Total		<u>\$ 35,132</u>

**(4) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 4,267
Special Revenue:		
Rural Services	Services	18,428
Secondary Roads		321
Mental Health		77,733
		<u>96,482</u>
Trust and Agency:		
Agricultural Extension Education	Collections	72,370
County Assessor		221,022
Schools		5,336,452
Community Colleges		330,603
Corporations		1,579,094
City Special Assessments		126,949
Townships		115,279
Auto License and Use Tax		141,137
Emergency Management Services		4,175
County Hospital		492,229
E911		95,527
All other		67,426
		<u>8,582,263</u>
Total		<u>\$ 8,683,012</u>

**(5) Economic Development Loans**

The Palo Alto County Economic Development Fund was established for the purpose of promoting economic development in Palo Alto County through grants and loans.

Upon receipt of the loan payments from the businesses, the funds remain in the Palo Alto County Economic Development Fund for subsequent loans to other businesses.

Loans by the Palo Alto County Economic Development Fund are as follows:

Loaned to	Date of Loan	Maturity Date	Loan Amount	Interest Rate	Term of Loan	Loan Balance June 30, 2002
Graettinger Development Council	Jun 27, 1988	Oct 1, 2002	\$30,000	3.0%	15 years	\$ 2,735
Mike and Kim Gehrt	Feb 24, 1998	Jun 1, 2008	10,000	5.0%	10 years	6,940
Jason White	Jun 27, 2000	Aug 1, 2003	2,500	6.0%	3 years	1,387
Stanley Propane and Appliance	Mar 26, 2002	Jul 1, 2012	<u>20,000</u>	5.0%	10 years	<u>20,000</u>
Total			<u>\$62,500</u>			<u>\$ 31,062</u>

**(6) Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

	Capital Lease Purchase Agreement	Urban Renewal Tax Increment Financing Bonds	Drainage Warrants	Drainage Improvement Certificates	Compensated Absences	Total
Balance beginning of year	\$ 36,000	61,830	869,290	40,093	103,746	1,110,959
Additions	-	-	186,692	-	-	186,692
Reductions	21,480	6,135	439,357	12,581	4,521	484,074
Balance end of year	\$ 14,520	55,695	616,625	27,512	99,225	813,577

**Capital Lease Purchase Agreement**

The County has entered into a capital lease purchase agreement to purchase a tractor for the solid waste transfer station. The following is a schedule of the future minimum lease payments, including interest at the rate of 5.731% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2002:

Year Ending June 30,	Tractor Solid Waste Transfer Station
2003	\$ 15,352
Total minimum lease payments	15,352
Less amount representing interest	(832)
Present value of net minimum lease payments	\$ 14,520

**Bonds Payable**

On October 15, 1998, the County issued \$73,000 of Urban Renewal Tax Increment Revenue Bonds to defray a portion of the costs of an urban renewal project in the Palo Alto County/Graettinger Urban Renewal Area.

The bonds are not a general obligation of the County, but are payable only from the income and proceeds of the Special Revenue, Urban Renewal Tax Revenue Fund established in the resolution. During the year ended June 30, 2002, principal of \$6,135 and interest of \$4,019 was paid.

A summary of the County's June 30, 2002 annual debt service requirements to maturity are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2003	6.50%	\$ 6,534	3,620	10,154
2004	6.50	6,959	3,195	10,154
2005	6.50	7,411	2,743	10,154
2006	6.50	7,893	2,261	10,154
2007	6.50	8,406	1,748	10,154
2008	6.50	8,952	1,202	10,154
2009	6.50	9,540	619	10,159
Total		\$ 55,695	15,388	71,083

#### **Drainage Warrants/Drainage Improvement Certificates Payable**

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue, Drainage Districts Fund solely from special assessments against benefited properties.

#### **(7) Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306 9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$154,602, \$151,857 and \$147,131, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Palo Alto County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Community Economic Betterment Account Loan Program**

Palo Alto County entered into a loan agreement dated May 20, 1999 for \$250,000. The proceeds were received during the year ended June 30, 2000 and loaned to a local business, Skyjack Equipment, Inc., to assist with economic development. The loan consists of an \$85,000 forgivable loan and a \$165,000 no interest conventional loan. Repayment of the conventional loan is to be made in 84 equal monthly payments of \$1,964, with the first payment due on April 1, 2000. The installments due for the year ended June 30, 2002 have been paid, leaving a balance on the conventional loan at June 30, 2002 of \$111,964. The conditions of the forgivable loan were to be met by June 30, 2002. The County has not yet received notification of forgiveness from the Iowa Department of Economic Development. The County's liability for repayment of the loan is limited to the amounts collected from the local business. Therefore, the liability for these loans is not included in the General Long-Term Debt Account Group.

**(10) Hospital Revenue Bonds**

On August 1, 1998, the County issued \$7,000,000 of Hospital Revenue Bonds in accordance with Chapters 331.402(3) and 384.24A of the Code of Iowa to renovate a substantial portion of the Hospital, construct a medical office building and construct and equip a 30 unit care retirement center.

The bonds are not a general obligation of the County, but are payable solely from the net revenues of the Palo Alto County Hospital. No resources of the County shall be required to be used, nor the general credit of the County pledged for payment of the bonds.

During the year ended June 30, 2002, interest of \$396,470 was paid by the Hospital. This payment is not included in the County's financial statements. The liability for the bonds (\$6,785,000 at June 30, 2002) is not recorded in the general long-term debt account group on Exhibit A since the bonds are to be paid from other than County resources.

The bonds mature on August 1 of each year, as set forth below, and shall bear interest payable semiannually on February 1 and August 1 of each year.

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2003	4.75%	\$ 115,000	391,264	506,264
2004	5.00	120,000	385,533	505,533
2005	5.10	125,000	379,345	504,345
2006	5.20	130,000	372,778	502,778
2007	5.25	140,000	365,773	505,773
Thereafter	5.30-6.00	6,155,000	4,860,370	11,015,370
Total		\$ 6,785,000	6,755,063	13,540,063

**(11) Future Commitments**

The County passed a resolution on April 17, 2001 committing \$10,000 per year for each of the next five years to be paid to the Graettinger Economic Development Council for the establishment of a spec building. The balance remaining to be paid at June 30, 2002 was \$40,000.

**(12) Budget Overexpenditures**

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by Service Area. During the year ended June 30, 2002, disbursements exceeded the amount budgeted for the Physical Health and Education, Mental Health, County Environment, Roads and Transportation, Debt Service and Capital Projects Service Areas.

**(13) Restatement of Beginning Balance**

The beginning balance in the Special Revenue, Drainage Districts Fund has been retroactively restated at July 1, 2001. The restatement was made to eliminate the effect of recording interest payable on drainage district warrants/improvement certificates. Interest on drainage district warrants/improvement certificates should not be recognized until paid.

Fund	Balance		Balance at July 1, 2001, as restated
	Previously Reported at June 1, 2001	Adjustment	
Special Revenue: Drainage Districts	\$ 112,622	142,816	255,438

**Palo Alto County**



## **Supplemental Information**

**Schedule 1**

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## Palo Alto County

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

## Revenues:

## Property tax:

Property tax	\$ 1,867,809	
Utility tax replacement excise tax	55,844	
Other	<u>3,353</u>	\$ 1,927,006

Interest and penalty on property tax

31,504

## Intergovernmental:

## State shared revenues:

Franchise tax	24,540
Liquor licenses and beer permits	<u>390</u>
	<u>24,930</u>

State grants and reimbursements including  
indirect federal funding:

Human services administration reimbursement	22,534
Federal emergency management assistance	10,624
Well testing and abandonment	11,995
Emergency medical services training grant	5,339
District court fees	9,254
Other	<u>12,118</u>
	<u>71,864</u>

## State tax replacements:

State tax credits	138,455
State allocation	<u>56,207</u>
	<u>194,662</u>

## Direct federal grants and entitlements:

Native grass seeding	10,315
Wetland and upland restoration	<u>25,091</u>
	<u>35,406</u>

Contributions and reimbursements from  
other governmental units:

Contract law enforcement	97,309
Elections	9,964
Prisoner care	2,115
Other	<u>3,870</u>
	<u>113,258</u>

Payments in lieu of taxes

226

440,346

## Palo Alto County

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues (continued):		
Licenses and permits		3,307
Charges for service:		
Office fees and collections	106,505	
Tax sale fees	2,196	
Auto registration, use tax and mailing	64,345	
Camping fees	9,745	
Other	3,527	186,318
Use of money and property:		
Interest on investments	121,487	
Building rent	4,110	
Other	108	125,705
Miscellaneous:		
Contributions and donations	12,920	
Other	6,165	19,085
Total revenues		<u>2,733,271</u>
Expenditures:		
Operating:		
Public safety		1,059,370
Court services		13,777
Physical health and education		133,553
Social services		191,805
County environment		396,250
State and local government services		245,936
Interprogram services		794,606
Capital projects		67,746
Total expenditures		<u>2,903,043</u>
Deficiency of revenues under expenditures		<u>(169,772)</u>

**Schedule 1**

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**Palo Alto County****General Fund****Statement of Revenues, Expenditures and Changes in Fund Balance****Year ended June 30, 2002**

## Other financing uses:

## Operating transfers out:

## Special Revenue:

Palo Alto County Economic Development

(75,000)Deficiency of revenues under expenditures  
and other financing uses

(244,772)

Fund balance beginning of year

1,163,882

Decrease in reserve for prepaid insurance

(24,259)

Fund balance end of year

\$ 894,851

See accompanying independent auditor's report.

## Palo Alto County

## General Fund

## Statement of Expenditures

Year ended June 30, 2002

## Public Safety Service Area:

## Law enforcement:

Uniformed patrol services	\$ 417,099	
Investigations	436	
Law enforcement communication	177,369	
Adult correction services	118,691	
Administration	128,236	
	<u>841,831</u>	

## Legal services:

Criminal prosecution	196,097	
Medical examinations	4,506	
	<u>200,603</u>	

## Emergency services:

Emergency management	<u>16,936</u>	\$ 1,059,370
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## Court Services Service Area:

## Assistance to district court system:

Research and other assistance	6,453	
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## Court proceedings:

Court costs	5,403	
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## Juvenile justice administration:

Court-appointed attorneys and court costs for juveniles	<u>1,921</u>	13,777
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## Physical Health and Education Service Area:

## Physical health services:

Sanitation	36,053	
Health administration	57,500	
	<u>93,553</u>	

## Education services:

Historic preservation	1,000	
Fair and 4-H clubs	4,000	
Fairgrounds	35,000	
	<u>40,000</u>	133,553

**Schedule 2**

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## Palo Alto County

## General Fund

## Statement of Expenditures

Year ended June 30, 2002

## Social Services Service Area:

## Services to the poor:

Administration

32,735

General welfare services

38,041

70,776

## Services to military veterans:

Administration

18,750

General services to veterans

30,954

49,704

## Children and family services:

Family protection services

24,060

## Services to other adults:

Services to the elderly

30,118

## Chemical dependency:

Treatment services

8,583

Preventive services

8,564

17,147

191,805

## County Environment Service Area:

## Environmental quality:

Natural resources conservation

55,666

## Conservation and recreation services:

Administration

90,901

Maintenance and operations

235,446

326,347

## Animal control:

Animal bounties and state apiarist expenses

117

## County development:

Land use and building controls

14,120

396,250

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Palo Alto County

General Fund

Statement of Expenditures

Year ended June 30, 2002

State and Local Government Services Service Area:

Representation services:

Elections administration	17,264	
Local elections	9,838	
Township officials	3,264	
	<u>30,366</u>	

State administrative services:

Motor vehicle registrations and licensing	101,124	
Recording of public documents	114,446	
	<u>215,570</u>	245,936

Interprogram Services Service Area:

Policy and administration:

General County management	171,205	
Administrative management services	197,200	
Treasury management services	148,824	
Other policy and administration	43,418	
	<u>560,647</u>	

Central services:

General services	98,543	
Data processing services	55,269	
	<u>153,812</u>	

Risk management services:

Tort liability	29,194	
Safety of the workplace	49,815	
Fidelity of public officials	1,138	
	<u>80,147</u>	794,606

Capital Projects Service Area:

Conservation land acquisition	12,472	
Other capital projects	55,274	67,746

Total		<u><u>\$ 2,903,043</u></u>
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See accompanying independent auditor's report.

Palo Alto County  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection
<b>Assets</b>			
Cash and pooled investments	\$ 548,832	878,264	29,115
Receivables:			
Property tax:			
Delinquent	1,126	-	-
Succeeding year	1,279,000	-	-
Accounts	8,066	31,253	-
Economic development loans	-	-	-
Drainage assessments:			
Current	-	-	-
Future	-	-	-
Due from other funds	-	-	-
Due from other governments	44,269	150,257	-
Prepaid insurance	2,230	38,161	-
<b>Total assets</b>	<b>\$ 1,883,523</b>	<b>1,097,935</b>	<b>29,115</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 1,574	56,362	-
Salaries and benefits payable	-	59,045	-
Due to other governments	18,428	321	-
Deferred revenue:			
Succeeding year property tax	1,279,000	-	-
Other	1,093	26,535	-
Compensated absences	866	16,856	-
Total liabilities	1,300,961	159,119	-
Fund equity:			
Fund balances:			
Reserved for:			
Drainage warrants/drainage improvement certificates	-	-	-
Prepaid insurance	2,230	38,161	-
Unreserved	580,332	900,655	29,115
Total fund equity	582,562	938,816	29,115
<b>Total liabilities and fund equity</b>	<b>\$ 1,883,523</b>	<b>1,097,935</b>	<b>29,115</b>

See accompanying independent auditor's report.



County Recorder's Records Management	Drainage Districts	Mental Health	Palo Alto County Economic Development	Total
8,020	132,086	344,380	65,618	2,006,315
-	-	821	-	1,947
-	-	657,000	-	1,936,000
-	-	-	424	39,743
-	-	-	31,062	31,062
-	428,281	-	-	428,281
-	283,478	-	-	283,478
703	-	-	-	703
-	-	-	-	194,526
-	-	-	-	40,391
8,723	843,845	1,002,201	97,104	4,962,446
-	5,937	74,863	-	138,736
-	-	-	-	59,045
-	-	77,733	-	96,482
-	-	657,000	-	1,936,000
-	711,758	800	31,062	771,248
-	-	602	-	18,324
-	717,695	810,998	31,062	3,019,835
-	24,648	-	-	24,648
-	-	-	-	40,391
8,723	101,502	191,203	66,042	1,877,572
8,723	126,150	191,203	66,042	1,942,611
8,723	843,845	1,002,201	97,104	4,962,446

Palo Alto County  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection
Revenues:			
Property and other county tax:			
Property tax	\$ 1,228,776	-	-
Local option sales tax	289,330	-	-
Utility tax replacement excise tax	33,675	-	-
Tax increment financing	-	-	-
Other	1,538	-	-
	<u>1,553,319</u>	<u>-</u>	<u>-</u>
Intergovernmental:			
State shared revenues:			
Road use tax	-	1,668,399	-
State grants and reimbursements including indirect federal funding:			
Resource enhancement and protection program	-	-	8,667
Fuel and sales tax refunds	-	16,344	-
Social services block grant	-	-	-
Federal emergency management assistance	-	28,316	-
Other	10,000	-	-
	<u>10,000</u>	<u>44,660</u>	<u>8,667</u>
State tax replacements:			
State tax credits	73,662	-	-
Mental health property tax relief	-	-	-
State allocation	15,615	-	-
	<u>89,277</u>	<u>-</u>	<u>-</u>
Contributions and reimbursements from other governmental units:			
Drainage district services	-	45,966	-
Sanitary disposal assessments	59,287	-	-
Fuel reimbursements	-	59,807	-
Other	-	2,874	-
	<u>59,287</u>	<u>108,647</u>	<u>-</u>

County Recorder's Records Management	Tax Increment Financing	Drainage Districts	Mental Health	Palo Alto County Economic Development	Total
-	-	-	524,427	-	1,753,203
-	-	-	-	-	289,330
-	-	-	15,680	-	49,355
-	9,334	-	-	-	9,334
-	-	-	942	-	2,480
-	9,334	-	541,049	-	2,103,702
-	-	-	-	-	1,668,399
-	-	-	-	-	8,667
-	-	-	-	-	16,344
-	-	-	50,804	-	50,804
-	-	103,181	-	-	131,497
-	-	-	-	-	10,000
-	-	103,181	50,804	-	217,312
-	-	-	38,874	-	112,536
-	-	-	421,279	-	421,279
-	-	-	-	-	15,615
-	-	-	460,153	-	549,430
-	-	-	-	-	45,966
-	-	-	-	-	59,287
-	-	-	-	-	59,807
-	-	21,000	-	-	23,874
-	-	21,000	-	-	188,934

Palo Alto County  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection
Revenues (continued):			
Intergovernmental:			
Payment in lieu of taxes	192	-	-
	158,756	1,821,706	8,667
Licenses and permits	-	265	-
Charges for service:			
Solid waste disposal fee	150,723	-	-
Document management fee	-	-	-
	150,723	-	-
Use of money and property:			
Interest on investments	-	-	83
Land and equipment rent	-	4,002	-
Other	44	391	-
	44	4,393	83
Miscellaneous:			
Drainage assessments	-	-	-
Secondary road material	-	15,523	-
Driveway construction reimbursements	-	16,168	-
Other	35	8,960	-
	35	40,651	-
Total revenues	1,862,877	1,867,015	8,750
Expenditures:			
Operating:			
Physical Health and Education Service Area:			
Educational services:			
Libraries	82,128	-	-

County Recorder's Records Management	Tax Increment Financing	Drainage Districts	Mental Health	Palo Alto County Economic Development	Total
-	-	-	63	-	255
-	-	124,181	511,020	-	2,624,330
-	-	-	-	-	265
-	-	-	-	-	150,723
2,678	-	-	-	-	2,678
2,678	-	-	-	-	153,401
13	-	-	-	15,175	15,271
-	-	-	-	-	4,002
-	-	-	-	-	435
13	-	-	-	15,175	19,708
-	-	686,192	-	-	686,192
-	-	-	-	-	15,523
-	-	-	-	-	16,168
-	781	-	-	-	9,776
-	781	686,192	-	-	727,659
2,691	10,115	810,373	1,052,069	15,175	5,629,065
-	-	-	-	-	82,128

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Palo Alto County  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection
Expenditures (continued):			
Operating:			
Mental Health Service Area:			
Persons with mental health problems - mental illness:			
Information and education	-	-	-
General administration	-	-	-
Personal and environmental support	-	-	-
Institutional, hospital, and commitment services	-	-	-
	-	-	-
Persons with chronic mental illness:			
Information and education	-	-	-
General administration	-	-	-
Coordination services	-	-	-
Treatment services	-	-	-
Vocational and day services	-	-	-
Licensed or certified living arrangements	-	-	-
Institutional, hospital, and commitment services	-	-	-
	-	-	-
Persons with mental retardation:			
General administration	-	-	-
Coordination services	-	-	-
Treatment services	-	-	-
Vocational and day services	-	-	-
Licensed or certified living arrangements	-	-	-
Institutional, hospital, and commitment services	-	-	-
	-	-	-

County Recorder's Records Management	Tax Increment Financing	Drainage Districts	Mental Health	Palo Alto County Economic Development	Total
-	-	-	48,077	-	48,077
-	-	-	2,195	-	2,195
-	-	-	12,907	-	12,907
-	-	-	28,253	-	28,253
-	-	-	91,432	-	91,432
-	-	-	15,282	-	15,282
-	-	-	3,576	-	3,576
-	-	-	774	-	774
-	-	-	8,627	-	8,627
-	-	-	35,000	-	35,000
-	-	-	123,325	-	123,325
-	-	-	57,488	-	57,488
-	-	-	244,072	-	244,072
-	-	-	16,835	-	16,835
-	-	-	9,563	-	9,563
-	-	-	627	-	627
-	-	-	317,779	-	317,779
-	-	-	631,833	-	631,833
-	-	-	42,488	-	42,488
-	-	-	1,019,125	-	1,019,125

Palo Alto County  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection
Expenditures (continued):			
Operating:			
Mental Health Service Area:			
Persons with other developmental disabilities:			
General administration	-	-	-
Coordination services	-	-	-
Vocational and day services	-	-	-
Licensed or certified living arrangements	-	-	-
	-	-	-
	-	-	-
County Environment Service Area:			
Environmental quality:			
Natural resources conservation	-	-	3,361
Weed eradication	1,016	-	-
Solid waste disposal	271,285	-	-
Environmental restoration	58,852	-	-
	331,153	-	3,361
County development:			
Economic development	-	-	-
	331,153	-	3,361
Roads and Transportation Service Area:			
Secondary roads administration and engineering:			
Administration	13,075	135,358	-
Engineering	11,368	135,882	-
	24,443	271,240	-
Roadway maintenance:			
Bridges and culverts	1,595	24,631	-
Roads	57,228	986,737	-
Snow and ice control	7,446	79,318	-
Traffic controls	3,395	51,443	-
Road clearing	4,700	51,684	-
	74,364	1,193,813	-



County Recorder's Records Management	Tax Increment Financing	Drainage Districts	Mental Health	Palo Alto County Economic Development	Total
-	-	-	220	-	220
-	-	-	603	-	603
-	-	-	9,785	-	9,785
-	-	-	10,278	-	10,278
-	-	-	20,886	-	20,886
-	-	-	1,375,515	-	1,375,515
-	-	-	-	-	3,361
-	-	-	-	-	1,016
-	-	-	-	-	271,285
-	-	-	-	-	58,852
-	-	-	-	-	334,514
-	-	-	-	38,219	38,219
-	-	-	-	38,219	372,733
-	-	-	-	-	148,433
-	-	-	-	-	147,250
-	-	-	-	-	295,683
-	-	-	-	-	26,226
-	-	-	-	-	1,043,965
-	-	-	-	-	86,764
-	-	-	-	-	54,838
-	-	-	-	-	56,384
-	-	-	-	-	1,268,177

Palo Alto County  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection
Expenditures (continued):			
Operating:			
Roads and Transportation Service Area:			
General roadway:			
Equipment	204	169,434	-
Equipment operations	32,474	731,886	-
Tools, materials, and supplies	-	94,979	-
Real estate and buildings	1,430	59,375	-
	<u>34,108</u>	<u>1,055,674</u>	<u>-</u>
	<u>132,915</u>	<u>2,520,727</u>	<u>-</u>
Non-program Service Area:			
Drainage district construction and repair	-	-	-
Debt Service Service Area:			
Drainage warrants paid	-	-	-
Drainage improvement certificates paid	-	-	-
Interest on warrants and certificates	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Capital Projects Service Area:			
Roadway construction	7,451	122,517	-
Other capital projects	-	-	2,388
	<u>7,451</u>	<u>122,517</u>	<u>2,388</u>
Total expenditures	<u>553,647</u>	<u>2,643,244</u>	<u>5,749</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,309,230</u>	<u>(776,229)</u>	<u>3,001</u>

County Recorder's Records Management	Tax Increment Financing	Drainage Districts	Mental Health	Palo Alto County Economic Development	Total
-	-	-	-	-	169,638
-	-	-	-	-	764,360
-	-	-	-	-	94,979
-	-	-	-	-	60,805
-	-	-	-	-	1,089,782
-	-	-	-	-	2,653,642
-	-	536,512	-	-	536,512
-	-	439,357	-	-	439,357
-	-	12,581	-	-	12,581
-	-	137,903	-	-	137,903
-	-	589,841	-	-	589,841
-	-	-	-	-	129,968
-	-	-	-	-	2,388
-	-	-	-	-	132,356
-	-	1,126,353	1,375,515	38,219	5,742,727
2,691	10,115	(315,980)	(323,446)	(23,044)	(113,662)

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Palo Alto County  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection
Other financing sources (uses):			
Operating transfers in (out):			
General	-	-	-
Special Revenue:			
Rural Services	-	1,018,761	-
Secondary Roads	(1,018,761)	-	-
Debt Service	-	-	-
Drainage warrants/drainage improvement certificate proceeds	-	-	-
Total other financing sources (uses)	(1,018,761)	1,018,761	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	290,469	242,532	3,001
Fund balances beginning of year, as restated (note 13)	292,307	700,496	26,114
Decrease in reserve for prepaid insurance	(214)	(4,212)	-
Fund balances end of year	\$ 582,562	938,816	29,115

See accompanying independent auditor's report.

County Recorder's Records Management	Tax Increment Financing	Drainage Districts	Mental Health	Palo Alto County Economic Development	Total
-	-	-	-	75,000	75,000
-	-	-	-	-	1,018,761
-	-	-	-	-	(1,018,761)
-	(10,154)	-	-	-	(10,154)
-	-	186,692	-	-	186,692
-	(10,154)	186,692	-	75,000	251,538
2,691	(39)	(129,288)	(323,446)	51,956	137,876
6,032	39	255,438	514,656	14,086	1,809,168
-	-	-	(7)	-	(4,433)
8,723	-	126,150	191,203	66,042	1,942,611

**Palo Alto County**

## Palo Alto County

## Debt Service Fund

Statement of Revenues, Expenditures and  
Changes in Fund Balance

Year ended June 30, 2002

Revenues:	
None	\$ -
Expenditures:	
Debt Service Service Area:	
Bonds redeemed	6,135
Interest paid	4,019
Total expenditures	<u>10,154</u>
Deficiency of revenues under expenditures	(10,154)
Other financing sources:	
Operating transfers in:	
Special Revenue:	
Tax Increment Financing	<u>10,154</u>
Excess of revenues and other financing sources over expenditures	-
Fund balance beginning of year	<u>-</u>
Fund balance end of year	<u><u>\$ -</u></u>

See accompanying independent auditor's report.

Palo Alto County  
Trust and Agency Funds  
Combining Balance Sheet  
June 30, 2002

	Expendable Trust Fund		
	Conservation Land Acquisition Trust	County Offices	
		County Recorder	County Sheriff
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ 48,333	-	-
Other County officials	-	21,334	21,386
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	930	-
Special assessments	-	-	-
Due from other governments	-	-	-
<b>Total assets</b>	<b>\$ 48,333</b>	<b>22,264</b>	<b>21,386</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ -	-	-
Due to other funds	-	16,051	14,552
Due to other governments	-	6,213	12
Trusts payable	-	-	6,822
Compensated absences	-	-	-
Total liabilities	-	22,264	21,386
Fund equity:			
Unreserved fund balance	48,333	-	-
<b>Total liabilities and fund equity</b>	<b>\$ 48,333</b>	<b>22,264</b>	<b>21,386</b>



Agency Funds							
Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations	City Special Assess- ments	Townships	Auto License and Use Tax
1,282	59,348	87,132	5,196	24,767	3,296	2,135	145,666
-	-	-	-	-	-	-	-
88	211	6,320	407	3,327	-	144	-
71,000	169,000	5,243,000	325,000	1,551,000	-	113,000	-
-	-	-	-	-	-	-	-
-	-	-	-	-	123,653	-	-
-	-	-	-	-	-	-	-
72,370	228,559	5,336,452	330,603	1,579,094	126,949	115,279	145,666
-	521	-	-	-	-	-	-
-	-	-	-	-	-	-	4,529
72,370	221,022	5,336,452	330,603	1,579,094	126,949	115,279	141,137
-	-	-	-	-	-	-	-
-	7,016	-	-	-	-	-	-
72,370	228,559	5,336,452	330,603	1,579,094	126,949	115,279	145,666
-	-	-	-	-	-	-	-
72,370	228,559	5,336,452	330,603	1,579,094	126,949	115,279	145,666

Palo Alto County  
Trust and Agency Funds  
Combining Balance Sheet  
June 30, 2002

	Brucellosis and Tuberculosis Eradication	Drainage Districts	Emergency Management Services
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	38	1,700	5,090
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	2	-	-
Succeeding year	2,000	-	-
Accounts	-	-	-
Special assessments	-	-	-
Due from other governments	-	-	1,159
<b>Total assets</b>	<b>2,040</b>	<b>1,700</b>	<b>6,249</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	-	-	350
Due to other funds	-	-	-
Due to other governments	2,040	1,700	4,175
Trusts payable	-	-	-
Compensated absences	-	-	1,724
Total liabilities	<b>2,040</b>	<b>1,700</b>	<b>6,249</b>
Fund equity:			
Unreserved fund balance	-	-	-
<b>Total liabilities and fund equity</b>	<b>2,040</b>	<b>1,700</b>	<b>6,249</b>

See accompanying independent auditor's report.

Agency Funds						
Fire Districts	County Hospital	Tax Sale Redemption	E911	Lost Island Sanitary District	Improvement Certificate Agency	Total
385	8,625	6,820	80,146	292	1,739	481,990
-	-	-	-	-	-	42,720
					-	-
					-	-
45	604	-	-	-	-	11,148
33,000	483,000	-	-	22,000	-	8,012,000
-	-	-	17,730	-	-	18,660
-	-	-	-	-	-	123,653
-	-	-	-	-	-	1,159
33,430	492,229	6,820	97,876	22,292	1,739	8,691,330
-	-	-	2,349	-	-	3,220
-	-	-	-	-	-	35,132
33,430	492,229	-	95,527	22,292	1,739	8,582,263
-	-	6,820	-	-	-	13,642
-	-	-	-	-	-	8,740
33,430	492,229	6,820	97,876	22,292	1,739	8,642,997
-	-	-	-	-	-	48,333
33,430	492,229	6,820	97,876	22,292	1,739	8,691,330

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Palo Alto County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	<u>County Offices</u>		<u>Agricultural Extension Education</u>
	<u>County Recorder</u>	<u>County Sheriff</u>	
<b>Assets and Liabilities</b>			
Balance beginning of year	\$ 18,331	8,070	72,612
Additions:			
Property and other County tax	-	-	69,992
E911 surcharge	-	-	-
State tax credits	-	-	5,026
State allocation	-	-	-
Office fees and collections	142,653	39,173	-
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Trusts	11	154,127	-
Miscellaneous	-	-	8
Total additions	142,664	193,300	75,026
Deductions:			
Agency Remittances:			
To other funds	67,452	30,066	-
To other governments	71,268	139	75,268
Trusts paid out	11	149,779	-
Total deductions	138,731	179,984	75,268
Balance end of year	\$ 22,264	21,386	72,370

County Assessor	Schools	Community Colleges	Corpor- ations	City Special Assessments	Townships	Auto License and Use Tax
209,921	4,860,383	295,265	1,533,617	187,755	123,116	178,509
166,093	5,150,811	319,133	1,723,820	-	111,228	-
-	-	-	-	-	-	-
10,850	334,957	20,356	182,186	-	7,384	-
1,754	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,106,674
-	-	-	-	14,239	-	-
-	-	-	-	-	-	-
1,334	511	33	-	-	20	-
180,031	5,486,279	339,522	1,906,006	14,239	118,632	2,106,674
-	-	-	-	-	-	9,745
161,393	5,010,210	304,184	1,860,529	75,045	126,469	2,129,772
-	-	-	-	-	-	-
161,393	5,010,210	304,184	1,860,529	75,045	126,469	2,139,517
228,559	5,336,452	330,603	1,579,094	126,949	115,279	145,666

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Palo Alto County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	Brucellosis and Tuberculosis Eradication	Drainage Districts	Emergency Management Services
<b>Assets and Liabilities</b>			
Balance beginning of year	2,046	7,659	6,629
Additions:			
Property and other County tax	2,072	-	-
E911 surcharge	-	-	-
State tax credits	149	-	-
State allocation	-	-	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	-	-	-
Assessments	-	970	-
Trusts	-	-	-
Miscellaneous	-	-	60,696
Total additions	2,221	970	60,696
Deductions:			
Agency Remittances:			
To other funds	-	-	-
To other governments	2,227	6,929	61,076
Trusts paid out	-	-	-
Total deductions	2,227	6,929	61,076
Balance end of year	2,040	1,700	6,249

See accompanying independent auditor's report.

Fire Districts	County Hospital	Tax Sale Redemption	E911	Lost Island Sanitary District	Improvement Certificate Agency	Total
33,590	490,475	3,532	124,933	21,240	-	8,177,683
31,777	474,017	-	-	21,619	-	8,070,562
-	-	-	39,647	-	-	39,647
2,184	33,828	-	-	574	-	597,494
-	-	-	-	-	-	1,754
-	-	-	-	-	-	181,826
-	-	-	-	-	-	2,106,674
-	-	-	-	-	-	15,209
-	-	80,120	-	-	-	234,258
4	55	-	42,260	485	16,706	122,112
33,965	507,900	80,120	81,907	22,678	16,706	11,369,536
-	-	-	-	-	-	107,263
34,125	506,146	-	108,964	21,626	14,967	10,570,337
-	-	76,832	-	-	-	226,622
34,125	506,146	76,832	108,964	21,626	14,967	10,904,222
33,430	492,229	6,820	97,876	22,292	1,739	8,642,997

**Schedule 8****Palo Alto County****Comparison of Taxes and Intergovernmental Revenues**

	Years ended June 30,			
	2002	2001	2000	1999
<b>Taxes:</b>				
Property tax	\$ 3,621,012	2,970,822	2,962,513	2,859,176
Local option sales tax	289,330	123,108	71,976	-
Tax increment financing	9,334	10,190	10,157	-
Utility tax replacement excise tax	105,199	90,061	-	-
Other	5,833	5,292	-	-
	<u>4,030,708</u>	<u>3,199,473</u>	<u>3,044,646</u>	<u>2,859,176</u>
<b>Intergovernmental:</b>				
State shared revenues:				
Road use tax	1,668,399	1,599,837	1,623,098	1,629,667
Other	24,930	28,321	22,298	16,101
State grants and reimbursements including indirect federal funding:				
Social services block grant	50,804	55,542	57,736	61,734
Other	238,372	330,093	206,727	349,229
State tax replacements:				
State tax credits	250,991	232,483	239,098	253,293
State allocation	71,822	78,814	79,041	78,948
Mental health property tax relief	421,279	404,945	404,945	404,945
Other	-	48,487	54,642	55,386
Direct federal grants and entitlements:				
Other	35,406	50,430	1,390	12,543
Contributions and reimbursements from other governmental units	302,192	288,504	348,024	256,144
Payments in lieu of taxes	481	1,523	1,128	997
	<u>3,064,676</u>	<u>3,118,979</u>	<u>3,038,127</u>	<u>3,118,987</u>
<b>Total</b>	<u>\$ 7,095,384</u>	<u>6,318,452</u>	<u>6,082,773</u>	<u>5,978,163</u>

See accompanying independent auditor's report.



**Independent Auditor's Report on Compliance  
and on Internal Control Over Financial Reporting**

**Palo Alto County**



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
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**Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting**

To the Officials of Palo Alto County:

We have audited the general purpose financial statements of Palo Alto County, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 18, 2002. Our report expressed a qualified opinion on the financial statements due to the omission of the general fixed assets account group and materials and supplies inventory pertaining primarily to the Special Revenue Funds which should be included in order to conform with U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Palo Alto County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items (3), (5), (10), and (11).

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Palo Alto County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Palo Alto County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for items (A) and (B).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Palo Alto County and other parties to whom Palo Alto County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Palo Alto County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 18, 2002

Palo Alto County  
Schedule of Findings  
Year ended June 30, 2002

**Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

- (A) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. Generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Treasurer
(2) Receipts – collecting, depositing, posting and daily reconciling.	Treasurer and County Extension
(3) Bank reconciliation is not prepared by someone who doesn't sign checks, handle or record cash.	Treasurer and County Extension
(4) Bank reconciliations should be reviewed periodically by an independent person for propriety.	Treasurer and County Extension

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. Each official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Palo Alto County  
Schedule of Findings  
Year ended June 30, 2002

Response -

Treasurer - We will try to comply with the recommendations.

County Extension - The procedural deficiencies have been solved. We did this with a staff change and the implementation of established accounting procedures. Since July 2002, we have been in compliance with local, county, and state regulations.

Conclusion - Responses acknowledged. We will follow up on changes in the subsequent audit.

(B) Electronic Data Processing Systems - The following weaknesses in the County's computer based systems were noted:

- Passwords are not required to be changed periodically.
- Use of an anti-virus program on computers is not required.
- User profiles are not required to help limit access to programs to those who have a legitimate need.
- Personnel who share the same computer terminal are not required to log-on and log-off prior to other personnel entering transactions on the same terminal.

Also, the County does not have a written disaster recovery plan or require back up tapes to be stored off site in a fire proof vault or safe.

Recommendation - The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. A written disaster recovery plan should be developed and back up tapes should be stored off site in a fire proof vault or safe.

Response - Palo Alto County in the future will develop a policy addressing the above items. I am in the process of moving a large vault off premise and hope to be storing back up tapes in that vault in the near future.

Conclusion - Response accepted.

Palo Alto County  
Schedule of Findings  
Year ended June 30, 2002

**Other Findings Related to Required Statutory Reporting:**

- (1) Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- (2) Certified Budget - Disbursements during the year ended June 30, 2002 exceeded the amounts budgeted in the Physical Health and Education, Mental Health, County Environment, Roads and Transportation, Debt Service and Capital Projects Service Areas. The amended budget as published only included the General Fund portion of the budget. As a result, actual disbursements exceeded the published amended budget.

Recommendation - The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa.

Response - Publication was not done in accordance with 331.435 of the Iowa Code for the amendments to the various above budgets. I regret that a mistake was made and will try to keep this from happening in the future.

Conclusion - Response accepted.

- (3) Questionable Disbursements of Boards and Commission - Certain expenditures were noted in the following boards and commission that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

E911 Board - Expenditures of \$221 for food and refreshments for meetings were noted.

Emergency Management Commission - Expenditures of \$105 for food and refreshments for meetings regarding buy-outs were noted.

Economic Development Board - Expenditures of \$219 for food for a meeting were noted.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The boards and commission should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, written policies and procedures should be in place, including a requirement for proper documentation.

Palo Alto County  
Schedule of Findings  
Year ended June 30, 2002

Response -

E911 Board - The reason for the meetings are to hold and conduct meetings of business for purposes of budgets, expenditures, and discussion of E911 business. The board is established by law and quorums need to be met by law. Meeting rooms must be established to meet our needs and each board member is aware of the costs.

Emergency Management Agency Board - The purpose of these meetings were: meeting with Mr. and Mrs. Domek and also with Mr. and Mrs. Sidles who live in the Flood Plain in Palo Alto County. I had applied for a grant to remove resident homes out of harms way and received a grant from FEMA to do so. We met with the Domeks and Sidles at the Pizza Ranch along with representatives from the Iowa Emergency Management Division to explain and show them what and how the process would work. The Domek buy-out has been completed at this time and their property now has been signed over to Palo Alto County.

Economic Development Board - The \$219 spent for the economic development meeting was for only half the expense. The cities of Graettinger, Ruthven, Emmetsburg and West Bend also paid half. The Board of Supervisors feel that differing ideas from the four cities will help to locate new business to the County and will serve the public purpose in the future. The Board of Supervisors will establish a written policy in the future for economic development expenditures.

Conclusion - Responses acknowledged. The Boards should ensure that the public purpose is clearly documented.

- (4) Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions - Business transactions between County and County officials are detailed as follows:

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Name, Title and Business Connection	Transaction Description	Amount
Mike Jergens, son of Russell Jergens, County Sheriff	Services	\$ 260
Richard Jergens, father of Russell Jergens, County Sheriff	Transport expense	555

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions do not appear to represent conflicts of interest since total transactions by individual were less than \$1,500 during the fiscal year.



Palo Alto County

Schedule of Findings

Year ended June 30, 2002

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. However, the amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

General

Certain board minutes were not signed as required by Chapter 176A.14(3) of the Code of Iowa

Cash Receipts

Collections were not deposited intact and timely.

Voided receipts were not reviewed by an independent person for propriety.

Cash Disbursements

Certain disbursements were not supported by proper documentation, or the invoices or other supporting documentation could not be located for review. Invoices or other supporting documentation were not canceled to prevent reuse.

Recommendation – Board minutes from each meeting should be properly signed. Receipts should be deposited intact and timely. Voided receipts should be reviewed by an independent person for propriety and the review should be evidenced by the initials or signature of the reviewer. Disbursements should be supported by proper documentation.

Response – Most of the problems cited have been resolved. We did this with a staff change and the implementation of established accounting procedures. Since July 2002, we have been in compliance with local, county, and state regulations.

Conclusion – Response accepted.

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Palo Alto County

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
James L. Blekfeld, CPA, Senior Auditor  
Cory A. Warmuth, CPA, Staff Auditor  
Samantha A. Gomez, Assistant Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State